

Message Text

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PAGE 01 BRASIL 03350 101515Z

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ACTION ARA-20

INFO OCT-01 ISO-00 SS-20 L-03 EB-11 SP-03 OIC-04 NSC-07

CIAE-00 INR-10 NSAE-00 RSC-01 COME-00 AID-20 CIEP-02

TRSE-00 STR-08 OMB-01 CEA-02 IO-14 PRS-01 DRC-01

SCI-06 OPIC-12 XMB-07 /154 W
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P 101445Z MAY 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 3231

C O N F I D E N T I A L BRASILIA 3350

E. O. 11652: GDS

TAGS: PFOR, OAS

SUBJECT: ESTABLISHMENT OF THE MFM WORKING GROUP
ON TRANSNATIONAL CORPORATIONS

REF: A. STATE 92124; B. BRASILIA 3282

1. FOLLOWING AMBASSADOR'S APPROACH TO FOREIGN MINISTER (REF B), EMBOFFS DISCUSSED SUBJECT WORKING GROUP WITH HEAD OF FONOFF ECONOMIC DEPARTMENT AND WITH ACTING HEAD OF OAS DIVISION. IN CONVERSATIONS, EMBOFFS EMPHASIZED POINT THAT WORKING GROUPS ON TRANSNATIONALS AND ON SCIENCE AND TECHNOLOGY TRANSFER, WHILE SUBJECTS OF CONTROVERSY, WERE IMPORTANT PARTS OF USG EFFORT UNDERTAKEN AT MEXICO CITY AND WASHINGTON MFMS AND WERE AREAS WHERE WE SAW OPPORTUNITIES FOR CONCRETE RESULTS TO IMPROVE INTER-AMERICAN RELATIONS.

2. RESPONSES OF FONOFF OFFICIALS REFLECTED INITIAL REACTIONS OF FOREIGN MINISTER ON TRANSNATIONAL WG THAT GOB WAS INTERESTED AND WOULD ATTEND JUNE MEETING BUT THAT LITTLE THOUGHT HAS GONE INTO SUBJECT SINCE ADOPTION OF DECISION IN WASHINGTON AND RESOLUTIONS IN ATLANTA. OFFICIAL HANDLING OAS AFFAIRS EXPRESSED APPRECIATION FOR INFORMATION ON PROPOSED MEETING AND ON OUTCOME OF DISCUSSIONS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 03350 101515Z

WITH COSTA RICA AND NOTED THAT

MEETING DURING FIRST HALF OF JUNE WOULD COINCIDE WITH WASHINGTON MEETING ON REFORM OF IA SYSTEM. ON WORK PROGRAM AND DESIRED OUTCOME OF WORKING GROUP EFFORT (PARAS 4 AND 5 REF A), HE INDICATED GOB WOULD WELCOME SERIES OF TECHNICAL AND NONPOLEMICAL DISCUSSIONS AND SAID THAT GOB POSITION IS ESSENTIALLY UNDEFINED ON STATEMENT OF PRINCIPLES THAT MIGHT RESULT AND ON QUESTION OF POSSIBLE CONSULTATIVE ORGAN AND OTHER MECHANISM FOR INTER-GOVERNMENTAL CONFLICTS ARISING FROM INVESTMENT DISPUTES. DURING CONVERSATION EMBOFF REFERRED TO MARCH IA-ECOSOC MEETING IN QUITO AND NOTED THAT BRAZIL HAD OPPOSED A PERUVIAN RESOLUTION ON TREATMENT OF PRIVATE FOREIGN INVESTMENT. OFFICIAL COMMENTED THAT GOB HAD CONSIDERED THAT PROPOSAL PREMATURE IN LIGHT OF DISPARATE VIEWS AMONG LATIN AMERICAN GOVERNMENTS ON FOREIGN INVESTMENT AND IN ABSENCE OF CONSIDERATION OF WORK BEING DONE ELSEWHERE, SUCH AS UN, ON SAME SUBJECT. HE ALSO SAID THAT GOB HAD NOT BEEN CERTAIN THAT SCCN WAS APPROPRIATE FORUM TO TAKE UP QUESTION. HE SAID THAT WASHINGTON ACTION REPRESENTED A MORE DESIRABLE APPROACH IN THAT IT ALLOWED FOR A CAREFUL STUDY OF ISSUES BEFORE CONTROVERSIAL ITEMS HAD TO BE DEALT WITH. OFFICIAL SAID HE WOULD CONSULT WITHIN MINISTRY ON PROPOSED WORK PROGRAM AND TERMS OF REFERENCE AND INFORM EMBASSY OF ANY FURTHER REACTIONS ON TRANSNATIONAL WORKING GROUP.

3. COMMENT: EMBASSY DOES NOT BELIEVE GOB HAS MUCH ENTHUSIASM FOR WORKING GROUP ON MULTINATIONAL CORPORATIONS OR INDEED ON BROADER QUESTION OF FOREIGN INVESTMENT. BRAZIL ENJOYS A FAVORABLE POSITION AS AN ATTRACTION FOR FOREIGN INVESTMENT IN LATIN AMERICA AND BELIEVES IT HAS EFFECTIVELY RESOLVED PROBLEM OF REGULATING ACTIVITIES OF MULTINATIONALS WHILE CONTINUING TO ATTRACT HIGH LEVELS OF FOREIGN INVESTMENT. FROM THIS POINT OF VIEW, GOB HAS LITTLE INCENTIVE TO SUPPORT EFFORTS TO ALTER PRESENT SITUATION AND WOULD NOT WELCOME CHANGES THAT WOULD MEAN REDUCTION OF THEIR PRESENT RELATIVE ADVANTAGE AS INVESTMENT RECIPIENT. ON POLITICAL SIDE, GOB WOULD ALSO NOT LIKE TO FIND ITSELF CAUGHT IN THE MIDDLE BETWEEN THE USG AND OTHER LA'S IF THE SITUATION WERE TO EVOLVE IN THAT WAY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRASIL 03350 101515Z

4. FOLLOWING ABOVE CONVERSATIONS, OAS DIVISION OFFICIAL CALLED EMBOFF AND ASKED FOR CLARIFICATION AS TO WHETHER TRANSNATIONAL WORKING GROUP WOULD BE ESTABLISHED UNDER OAS PERMANENT COUNCIL OR AS INFORMAL GROUP OUTSIDE OF OAS AUSPICES. EMBOFF REPLIED THAT INSTRUCTION FROM DEPARTMENT REFERRED TO DECISION REACHED AT WASHINGTON MEETING OF FOREIGN MINISTERS MENTIONED IN PREAMBULAR SECTION OF GA RESOLUTION (STATE 93446) AND DID NOT SPECIFY CONNECTION

TO SECRETARIAT STUDIES AND COORDINATION ASSIGNED TO OAS
PERMANENT COUNCIL.
CRIMMINS

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